

TRANSCRIPT OF THE INTERVIEW WITH

Mr. Kalin Sarasin
Managing Director
Siam Cement Trading (SCT)

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UNITED WORLD: The fundamentals of the Thai economy remain sound at all levels. The World Bank has raised its growth expectations for the Thailand economy from 4.8% to 5%. As a respected businessman, how would you assess the current business climate of Thailand?

MR. KALIN SARASIN: For the past 4 months, business has been good. However, we did experience a slowdown in the last 2 months (particularly in the construction sector). It's a global phenomenon, really. For instance, the price of steel scraps saw a substantial decrease about 4 months ago, from \$750 per ton to \$370. It's the same thing with wastepaper. We trade a lot of wastepaper and steel scraps. Because they said that at the time, we are going to have the Olympics, so the Chinese may stop any buying and the whole market may effect from the non-move business from China. It affected a lot of countries in this region, as well.

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In Thailand where they sell steel, the demand was not much high. But due to the limited raw material and its price has kept increasing for more than six months, we had to allocate quota to each dealer. At the moment, the finish goods' price decreased rapidly according to raw material's price.

In terms of agricultural products, a key driver in the Thailand economy, the price of rice, palm oil and rubber shot up. When the Thai get good income, they tend to invest more. For example, we sell Kubota products. Right now, there is more than 100% growth so the farmers have a lot of money.

UNITED WORLD: The economy of Thailand is an emerging economy which is heavily export-dependent (with exports accounting for more than two-thirds of GDP). As of last year, the country's GDP reached US\$ 627 billion (PPP). How would you assess the competitiveness of Thailand as a whole?

MR. KALIN SARASIN: In terms of geography, Thailand is the center of the region. Transportation is very easy. We are connected to 4 countries (Myanmar, Laos, Cambodia, and Malaysia) where we also get a lot of demand. In this region, we have around 500 to 600 million people, including Philippines and Indonesia. That is quite a big market. Thailand, by sheer virtue of location, is at the center of that. Logistics continue to be a strength of ours.

We are also the cluster for automotive industries. We do manufacturing and assembly. Among the automotive parts that we sell is the casting material. That's growing very fast. We see more automotive companies moving into Thailand to do these kinds of clusters.

Our country is very competitive. We have a highly capable labor force that is quick-learning. We are very easy to deal with. A lot of companies want to move here.

Tourism is also one of our strength. People come for golfing, beaches, etc. Apart from that, we also try to draw in a lot of R&D from other countries (i.e., Japan, Europe, the US, etc.). We try to hoe in vocational schools to upgrade. For instance, they are upgrading the Thai-German Technical Schools.

UNITED WORLD: Can you comment on the state of Thailand’s human capital?

MR. KALIN SARASIN: I think we need to educate more with people in the rural areas so we can elevate the skill levels. Thais are quick learners. Once they get the hang of it, they can do a lot of things.

UNITED WORLD: What role does the public sector play in the growth of Thailand?

MR. KALIN SARASIN: One of the main drivers in Thailand is the public sector. No matter what happens politically, we continue to flourish. The good thing about our government is that it doesn’t interfere with the country’s business development. Sometimes, they do tend to mediate with regards to the price of rice, tapioca, but more often than not, they go by the market. I see Thailand becoming the global supermarket. We produce a lot of rice, fruits, food, etc.

UNITED WORLD: Siam Cement Group (SCG) is one of Thailand’s longest established and largest industrial conglomerates. Founded in 1913 under the Royal Decree of His Majesty King Rama VI, SCG expanded continuously, becoming the most advanced industrial institution in Thailand. What is the story behind the success of Siam Cement Group?

MR. KALIN SARASIN: A big part of the Group’s success is our people. We have very capable people. We invest more than Bt800 million for training and skills development. We believe in our people. Everybody can buy machines, but people are valuable assets.

UNITED WORLD: How would you assess the economic contribution of the Group to the Thai economy?

MR. KALIN SARASIN: This year, we had a Bt270 billion net sales (that’s around \$8 billion). We have 5 groups: Cement, Petrochemicals, Paper, Construction Materials and Distribution. My company is under the distribution group.

UNITED WORLD: Siam Cement Trading was established 30 years ago and it serves as the international trading arm of the Group. Can you elaborate on this?

MR. KALIN SARASIN: In the old days, Mitsui, Mitsubishi, Itochu, etc. started out as trading companies. After that, they entered into manufacturing. It’s different from us. Siam

Cement Group started out as a manufacturing company. After which, we got into trading. Our President at that time was also educated in Japan. He thought that we should have a trading company similar to the Japanese companies. They asked Mitsui to help us start this company 30 years ago. It was a learning process.

We started out as a trading company for raw materials. We also exported cement. In the old days, we were the only company to buy and sell within the group. Since the crisis in 1997, we changed the policy to do arm's length business. At the time, the Group had the capacity to commission any trading company that can be competitive. When I got into this position 7 years ago, we changed the policy and focused into 4 core businesses: energy, recycling, construction material, and industrial supply. In terms of the latter, we supply anything that the factory requires (i.e., billet, aluminum sheets, tapioca starch, chemicals, petrochemicals, etc.). We have been gradually expanding, with 30 offices around the world in 20 countries. This year, we are looking to expand to 5 more locations overseas which are Tanzania, Poland, Houston-USA, East Malaysia, and Kalimantan-Indonesia (the main purpose of this location is coal).

UNITED WORLD: What does the US market represent for SCT?

MR. KALIN SARASIN: Last year, the turnover mainly came from cement and steel scraps (about \$100 million). SCT-USA sales turnover during that same year was \$200 million. We also generated around Bt6.8 billion from the US.

This year, the freight cost is very high. The demand in the US also dropped according to the Subprime issue, which also affect the construction sector. This causes us more difficult to penetrate the US market.

UNITED WORLD: SCT aims to be the leading trading company in Asia. As the Managing Director, can you share with us the vision that you have for your company?

MR. KALIN SARASIN: As you said, SCT aims to be the leading trading company in Asia. We want to put more emphasis on energy (coal) and recycling. We would like to control the whole supply chain. In terms of coal, we want to have control from the mine to the end user or the customers. With regards to waste management, we also try to manage the whole supply chain. For waste paper, we have a joint venture with the Philippines. This year, we are set to operate the baling station to collect the papers. We have around 9 units in the Philippines now. We have 2 in Cambodia, 1 in Laos, and we are looking to have 3 this year in Vietnam. We also have a joint venture in Singapore. We are firmly expanding and trying to control the supply chain.

Right now, we do a lot of trading for plastic scrap. We get a lot of plastic scrap in the US, do some processing and send it back to the US again.

UNITED WORLD: You have been working for the whole Group for 21 years, and for this company for 7 years. Where do you see SCT 5 years from now?

MR. KALIN SARASIN: 5 years from now, I want SCT to be one of the leaders in each of the sectors it is involved in. For instance, I want SCT Energies to be known to customers in the industry (e.g., boilers, IPP, etc.). I want us to be known not only in Thailand, but also in the Philippines, Malaysia, Cambodia, Indonesia, and Vietnam. I would also like to look into ways of doing more value-added products for coal. Right now, we have a project called “coal water mixtures” (CWM). We get the coal, refine it, mix it with water, process it, and sell it to the factories as a replacement for heavy fuel oil. The CWM will help the factories in cost saving as the CWM is much cheaper than the heavy fuel oil. We’re also further study in R&D for other products especially for coal.

UNITED WORLD: His Majesty the King Bhumibol Adulyadej is certainly one of the most respected kings in the world. He is behind various respected theories on development, including the “self-sufficiency” theory. How are you applying this “self-sufficiency” philosophy to SCT?

MR. KALIN SARASIN: We are looking into various energy saving methods. From there, we can do many things. We are starting with this building. We transformed this building and gave it more energy efficient systems. It will be the first building in the whole of Thailand to accomplish the Gold Label (this was started by the committees under the Ministries of Energy and Environment). If you look at the glass that we use in the building, it is not your usual kind of glass. On the side, you can see that we’ve added a new kind of Styrofoam made by DuPont. They’re like insulators. We also try to reduce the use of air conditioning and changed the kind of bulbs that we use. Everything here has to be consistent with the Gold Label. If you look around the building, you can also see that we are trying to grow more trees.

Energy conservation is one of the things that we would like to impress upon people. We have to find ways to live in a sustainable manner, try to reduce the cost and be more environment-friendly. For coal, we have a stock pile in Ayuthaya province, not far from here (a 1-hour drive). We put everything in the green belt with trees all around and the nets. In terms of water, we had to treat it first before it goes out. All the trucks that carry our coal had to be covered so there would be no dust. We try to educate the rest about environmental sustainability by setting an example. If you look at our operations, you can see that we are finding ways to reduce pollution.

Also, when it comes to transporting our products, we are very strict about following the correct tonnage so as not to destroy the roads and promote sustainable development. You're only supposed to carry 26 tons on a truck, and some carry about 50 tons. That is why the roads get damaged. We, on the other hand, follow the prescribed weight for each of our delivery trucks.

UNITED WORLD: In the course of your successful career, what has given you the greatest personal satisfaction?

MR. KALIN SARASIN: We pride ourselves of being professional. We do things the right way according to our good governance policy. We get promoted within the company based on our capabilities. We have a very good personnel development plan and we rotate people every 4 years. In my case, I have rotated to 11 places within 21 years. It allows us to bring what we know from the place that we've been, learn from the new location that we've been assigned to and meet new people. I was the head of the SCG's social functions for 6 years. We have a lot of clubs. We try to motivate people involved in the clubs and informal meetings.

SCG is like a family. It's not just about work. We care about each other and are happy with each other's company. We have a solid corporate culture.

Each Group in the company is different, but we have a core vision that spans throughout.

UNITED WORLD: Thank you very much for your comments.

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